October 23, 1990

To: WELL Board of Directors
From: Cliff Figallo
Subject: Third Quarter Comparisons

You have two sets of comparisons: 1989/1990 and Actuals/Budget.

WELL Comparisons -- 1989 1990 Financials

Looking first at the Income Statement Revenue (**Page 1**) we see that our total number of paying users has risen by 24% over the year, but total revenue has gone up by 60% for the year-to-date. A lot of this difference in growth has to do with increased hourly revenue (up by 82% for the quarter and 71% year-to-date) and the increase in long distance packet users (up 123%) and packet usage (revenues up126% year-to-date over 1989). At least some credit for this must be given to our improved manual, our improvement of the user interface through the addition of some menu-driven commands and the continued birth of interesting and relevant new conferences on the WELL.

In the expense area, personnel costs (**Page 2**) are up due to the addition of two new staff positions from last year and in response to the needs of an enlarged user base. Computer operations reflect the costs of physically moving the Sequent and the expansion and improvements to the system. Also the increased usage of the packet system is shown in its increased cost. Sales and marketing costs remain relatively low as we continue to find that a little bit of promotion has a ripple effect and large numbers of new users find us through word of mouth.

Page 3 shows the increase in cost for the expanded manual, its production and postage costs for same. Also note that we have expensed over 1300 hours of complimentary WELL time in this quarter, writing off charges for hosts and users who help us with support. Since we do not offer voice support from the office 24 hours-a-day or on weekends, we have set up an online "support" command and network of volunteers who will answer questions when the staff can't.

On **Page 4** we find Net Earnings for the quarter to up 181% and for year-to-date, up 71% over last year. The Capital Budget shows

investments in high speed modems and equipment for our enlarged staff. It also shows the writeoff of the VAX 11/750 which we were not able to sell or donate, but were able to give away.

On the Balance Sheet, **Page 5**, we see Receivables and Credit Card Vouchers up over 1989, but not up as much as total revenues on a percentage basis. Hopefully this reflects our gradual taking control of our receivables. Payables are down considerably, and the change in understanding of the $90,000 advance from equity to debt is also shown.

do you want cc vouchers up?

WELL Budget Comparisons -- Third Quarter 1990

Again, on Page 1, we see that hourly activity increased at a greater rate than we projected, as did packet usage. Disk storage also was up over our expectations, and our use of discounts was higher than the budgeted amount.

On **Page 2**, the largest jump in personnel costs, aside from the unbudgeted position of Administrative Assistant, was in the cost of the Accounts Manager. This position has changed from being strictly a billing and accounting one to being integrated with Customer Service and with Marketing. It is now a fulltime job demanding expertise and leadership, thus the higher pay totals.

Page 3 mostly shows the increased costs due to moving and expanding the Sequent system and the higher emphasis on Customer Service. Overall, expenses are up 9% over budget for the year, while revenues are up 18%. Net Earnings are up 71% over budget.

why the change? Explain?

The Balance Sheet on **Page 5** shows our cash level being down from the Budget projection. About $16,000 of the difference has to do with our shifting our Accounts Payable payment schedule to end-of-month instead of beginning-of-month. For that reason, we spent an addition $16K in August. The rest of the cash shortfall can be attributed to Capital purchases and to cash tied up in Receivables.

?

The Cash Flow Analysis on **Page 6** shows cash flow as being about $27,000 behind budget projections.

WELL Comparisons -- 1989 1990 Financials

	Third Quarter				Year-to-Date			
	1990	1989	Variance	Percentage	1990	1989	Variance	Percentage
Income Statement								
Revenue								
Paying Users	3652	2925	727	125%				
Active Users	1771	1021	750	173%				
Average Active Hours/User	5.16	4.69	0	110%				
Packet Users	933	419	514	223%				
Packet hour usage	3,436.20	1,333.35	2,103	258%				
Leased line usage	1,293.54	1,187.70	106	109%				
Monthly fees	84,800	65,208	19,592	130%	232,411	174,816	57,595	133%
Hourly fees	73,526	40,470	33,056	182%	194,177	113,743	80,434	171%
Packet fees	47,727	19,096	28,631	250%	116,061	51,464	64,598	226%
Leased line fees	2,283	1,730	553	132%	6,898	5,152	1,746	134%
Disk storage	2,401	1,883	518	127%	9,107	4,324	4,783	211%
Other Revenue	1,823	2,795	(973)		1,530	7,976	(6,447)	19%
Discounts	4,287	8,838	(4,551)	49%	11,431	14,880	(3,450)	77%
Total Revenue	208,273	122,345	85,929	170%	548,753	342,595	206,159	160%

1881 x 0
1771 x 5.16 } 9138 ÷ 3652
AVG = 2.50/user.

WELL Comparisons -- 1989 1990 Financials

	Third Quarter				Year-to-Date			
	1990	1989	Variance	Percentage	1990	1989	Variance	Percentage
Expenses								
Personnel								
Director	13,657	11,550	2,107	118%	39,697	34,467	5,231	115%
System Admin	8,173	5,855	2,319	140%	25,487	19,635	5,852	130%
Engineer NEW	7,541		7,541		8,953		8,953	
Customer Support	10,464 3500/MO.	9,000 3K/MO.	1,464	116%	30,375 ÷9=3390.	26,640 ÷9=3K	3,735	114%
Marketing Director	9,450	5,149	4,301	184%	28,200	6,889	21,311	409%
Accounts Manager	9,000	7,993	1,007	113%	26,521	20,811	5,710	127%
Admin. Asst. 1662/MO. NEW	4,988		4,988		14,000		14,000	
Bookkeeper	1,518	570	948	266%	4,068	1,818	2,250	224%
Payroll Taxes	5,033	3,115	1,919	162%	14,421	9,378	5,043	154%
Benefits	3,209	1,718	1,491	187%	9,350	3,904	5,446	? 240%
	73,033	44,948	28,085	162%	201,069	123,540	77,529	163%
Computer Operations								
Computer Space Rent	1,350	2,067 correct ?	(717)	65%	1,900	6,201	(4,301)	31%
Electricity	1,064		1,064		3,124		3,124	
Hardware	(20)	2,023	(2,043)	-1%	26	7,871	(7,845)	0%
Software	224		224		224		224	
Modems					1,555		1,555	
Maintenance & Repair	4,714	2,328	2,386	202%	10,714	2,438	8,276	439%
Packet Services	36,097	18,242	17,855	198%	95,129	51,008	44,121	186%
Phone Services	4,689	6,951	(2,262)	67%	16,728	19,850	(3,122)	84%
Contract Programming	3,340	1,960	1,380	170%	6,065	7,152	(1,087)	85%
	51,458	33,571	17,887	153%	135,466	94,520	40,945	143%
Sales/Marketing								
Travel & entertainment	587	46	541	1285%	1,125	997	128	113%
Promotional materials	1,327	4,481	(3,153)	30%	4,689	8,049	(3,360)	58%
Advertising					1,825		1,825	
Network subscriptions					678		678	
Telephone								
Complimentary WELL time	861		861		861		861	
	2,775	4,526	(1,751)	61%	9,178	9,046	132	101%

POSITION CREATED WHEN?

CUST. SUPPORT.

BUDGET : 3,000 / MONTH. BUDGET 1989

Q1+Q2 = 19,911 VS. 18,000 vs.

Q3 = 10,464 vs.

Q1-Q3 = 30,375 27,000 vs. 26,640

WELL Comparisons -- 1989 1990 Financials

	Third Quarter				Year-to-Date			
	1990	1989	Variance	Percentage	1990	1989	Variance	Percentage
Office								
Office Rent	2,970	5,910	(2,940)	50%	11,310	10,590	720	107%
Utilities	316	495	(179)	64%	1,115	1,511	(396)	74%
Postage	590	1,250	(660)	47%	1,894	2,677	(784)	71%
Computer Hardware	1,475	547	928	270%	2,753	1,459	1,294	189%
Computer Software					598	27	571	2214%
Phones	1,076	963	112	112%	2,087	1,909	177	109%
Office Supplies	1,574	875	700	180%	4,213	4,436	(224)	95%
Temp Labor	150		150		524		524	
Repairs & Maintenance		372	(372)		930	382	547	243%
Communications	22		22		72		72	
	8,173	10,411	(2,238)	79%	25,495	22,993	2,502	111%
Customer Support								
Support Materials	3,891	1,339	2,552	291%	13,186	2,758	10,428	478%
Postage	989		989		2,383		2,383	
Labor	20		20		20		20	
Complimentary WELL Time	4,021		4,021		4,021		4,021	
Training								
	8,920	1,339	7,581	666%	19,610	2,758	16,852	711%
General & Administrative								
Insurance	324	337	(13)	96%	1,232	2,500	(1,268)	49%
Depreciation	5,732	5,778	(46)	99%	16,053	21,739	(5,686)	74%
Bad Debts	924	(192)	1,116	-482%	9,633	13,933	(4,299)	69%
Outside Professional Services	20		20		2,788	2,000	788	139%
Bank Fees	4,841	2,673	2,169	181%	10,720	9,428	1,292	114%
Miscellaneous	1,308	1,481	(173)	88%	4,485	486	3,999	923%
Non-taxable Donations	150		150		150	225	(75)	67%
Board-related Expenses	762		762		2,206	2,400	(194)	92%
	14,063	10,077	3,986	140%	47,267	52,710	(5,443)	90%
Total Expenses	158,422	104,873	53,550	151%	438,084	403,432	34,652	109%

BIG

WELL Comparisons -- 1989 1990 Financials

	Third Quarter				Year-to-Date			
	1990	1989	Variance	Percentage	1990	1989	Variance	Percentage
Earnings Before Interest & Taxes	49,851	17,472	32,379	285%	111,182	60,987	50,196	182%
Interest Income (Expense)								
Interest rec'd from cash in bank	33	988	(955)	3%	33	794	(762)	4%
Interest paid	(766)	(467)	(299)	164%	(2,454)	(1,490)	(964)	165%
	(733)	(199)	(534)	369%	(2,421)	(696)	(1,726)	348%
Earnings Before Taxes	49,117	17,273	31,844	284%	108,761	61,683	47,078	176%
Corporate taxes	589		589		3,239		3,239	
Earnings	48,528	17,273	31,255	281%	105,522	61,683	43,839	171%
Dividends								
Net Earnings	48,528	17,273	31,255	281%	105,522	61,683	43,839	171%
Capital Budget								
Sequent expansion	2,413	1,500	913	161%	21,793	85,196	(63,403)	26%
Modems	2,089	675	1,414	310%	2,839	675	2,164	421%
Office equipment	2,899		2,899		6,259	2,234	4,025	280%
Other	(11,048)		(11,048)		(5,877)		(5,877)	
	(3,647)	2,175	(5,822)	-168%	25,014	88,105	(63,091)	28%

WELL Comparisons -- 1989 1990 Financials

	Third Quarter 1990	Third Quarter 1989	Variance	Percentage	Year-to-Date 1990	Year-to-Date 1989	Variance	Percentage
BALANCE SHEET								
Short Term Assets								
Cash in bank	4,408	8,594	(4,186)	51%				
Accounts receivable	58,200	42,677	15,523	136%				
Credit card vouchers	63,022	39,030	23,992	161%				
Other	6,555	6,541	14					
	132,184	96,842	35,342	136%				
Long Term Assets								
P & E	163,499	123,354	40,144	133%				
Accumulated depreciation	(33,282)	(31,683)	(1,599)	105%				
	130,217	91,671	38,545	142%				
	262,401	188,513	73,888	139%				
Short Term Liabilities								
Prepaid usage	8,711	9,288	(577)	94%				
Accounts payable	15,900	25,859	(9,959)	61%				
Sequent loan (current period)	7,500	7,500		100%				
NETI loan (current period)	30,000		30,000					
Payroll taxes payable	3,560	4,737	(1,178)	75%				
Corporate taxes payable								
	65,671	47,384	18,286	139%				
Long Term Liabilities								
NETI advance	40,000		40,000					
Sequent loan	13,098	19,530	(6,432)	67%				
	53,098	19,530	33,568	272%				
Stockholders Equity								
Common Stockholders	27,990	46,467	(18,477)	60%				
Retained earnings	(277)	41,559	(41,836)	-1%				
Current Period Earnings	115,920	33,573	82,347	345%				
	143,633	121,599	22,034	118%				

what really is going on here?

90,000 of common reclassified.

✓ Copy of note w/bank.

121
116
237
-90
147.

✓ • Txbl went -90,000.-
✓ • Fed Tax Return. '89
✓ • Imputed interest - must be put on the books.
✓ • where did the 27,990 come from? $ tied to stock
✓ • statement w/ w/o 90,000 reclassed.
• Don't want someone to come up
✓ • Lien re Sequent - what is it?
✓ (*) • Plant + Equip schedule.

46 467
-90,000
43,533

✓ (*) • 5 yr history - yr-end P+L
Gross Inc.
~~Gross Exp.~~

• Be aware of b'ldg ~~offs~~ B/S vs. cash flow.
B/S no B's cash flow

✓ • Bank reconciliation.
✓ • Will talk to auditors, if there are any.
✓ • % ownership
• Stock certificates etc.
✓ • Corp Stk b/c
✓ • Corp minutes
✓ • B/S accts - reconciliation.

WELL Budget Comparisons -- Third Quarter 1990

	Third Quarter				Year-to-Date			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
Revenue								
Paying Users	3652	3454	198	106%				
Active Users	1771	1209	562	147%				
Average Active Hours/User	5.16	4.5	1	115%				
Packet Users	933	622	311	150%				
Packet hour usage	3,436.20	2,020.34	1,416	170%				
Leased line usage	1,293.54	1,726.79	(433)	75%				
Monthly fees 41%	84,800	81,358	3,442	104%	232,411	230,985	1,426	101%
Hourly fees 206053 35 58%	73,526	48,052	25,474	✓153%	194,177	136,425	57,752	142%
Packet fees 23	47,727	29,746	17,981	✓160%	116,061	84,454	31,607	137%
Leased line fees	2,283	2,542	(259)	90%	6,898	7,144	(246)	97%
Disk storage	2,401	1,017	1,384	✓236%	9,107	2,887	6,220	315%
Other Revenue (Registrations Fee	1,823		1,823		1,530		1,530	
Discounts	4,287	889	3,399	✓482%	11,431	2,524	8,907	453%
Total Revenue	208,273	163,605	44,669	127%	548,753	464,419	84,334	118%

MONTHLY FEES : 41%

HOURLY + PACKET : 59 %

what happens to packet fees if you go flat rate.

WELL Budget Comparisons -- Third Quarter 1990

	Third Quarter				Year-to-Date			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
Expenses								
Personnel								
Director	13,657	12,127	1,530	113%	39,697	36,190	3,507	110%
System Admin	8,173	9,000	(827)	91%	25,487	26,800	(1,313)	95%
Engineer	7,541	8,820	(1,279)	86%	8,953	25,760	(16,808)	35%
Customer Support	10,464	9,450	1,014	111%	30,375	28,200	2,175	108%
Marketing Director	9,450	8,400	1,050	113%	28,200	25,200	3,000	112%
Accounts Manager	9,000	4,200	4,800	214%	26,521	10,800	15,721	246%
Admin. Asst.	4,988		4,988		14,000		14,000	
Bookkeeper	1,518	1,500	18	101%	4,068	3,900	168	104%
Payroll Taxes	5,033	5,676	(643)	89%	14,421	16,642	(2,221)	87%
Benefits	3,209	2,597	612	124%	9,350	7,791	1,559	120%
	73,033	61,771	11,262	118%	201,069	181,283	19,787	111%
Computer Operations								
Computer Space Rent	1,350	1,350		100%	1,900	3,250	(1,350)	58%
Electricity	1,064	907	157	117%	3,124	2,574	550	121%
Hardware	(20)	150	(170)	-13%	26	1,400	(1,374)	2%
Software	224	150	74	149%	224	450	(226)	50%
Modems		1,500	(1,500)		1,555	2,300	(745)	68%
Maintenance & Repair	4,714	3,600	1,114	131%	10,714	10,200	514	105%
Packet Services	36,097	29,746	6,350	121%	95,129	84,454	10,675	113%
Phone Services	4,689	4,021	668	117%	16,728	11,413	5,315	147%
Contract Programming	3,340	1,500	1,840	223%	6,065	6,500	(435)	93%
	51,458	42,924	8,534	120%	135,466	122,540	12,925	111%
Sales/Marketing								
Travel & entertainment	587	360	227	163%	1,125	780	345	144%
Promotional materials	1,327	3,978	(2,651)	33%	4,689	8,674	(3,985)	54%
Advertising					1,825	1,250	575	146%
Network subscriptions		225	(225)		678	745	(67)	91%
Telephone		300	(300)			600	(600)	
Complimentary WELL time	861	312	549	276%	861	904	(43)	95%
	2,775	5,175	(2,400)	54%	9,178	12,953	(3,775)	71%

WELL Budget Comparisons -- Third Quarter 1990

	Third Quarter				Year-to-Date			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
Office								
Office Rent	2,970	4,620	(1,650)	64%	11,310	13,260	(1,950)	85%
Utilities	316	342	(26)	92%	1,115	972	143	115%
Postage	590	675	(85)	87%	1,894	1,927	(34)	98%
Computer Hardware	1,475	90	1,385	1639%	2,753	270	2,483	1020%
Computer Software					598	400	198	149%
Phones	1,076	685	391	157%	2,087	1,943	144	107%
Office Supplies	1,574	1,027	547	153%	4,213	2,915	1,298	145%
Temp Labor	150	513	(363)	29%	524	1,457	(933)	36%
Repairs & Maintenance		171	(171)		930	486	444	191%
Communications	22	68	(46)	32%	72	194	(122)	37%
	8,173	8,192	(19)	100%	25,495	23,824	1,671	107%
Customer Support								
Support Materials	3,891	2,396	1,495	162%	13,186	6,801	6,385	194%
Postage	989	411	578	241%	2,383	1,166	1,217	204%
Labor	20	120	(100)	17%	20	360	(340)	6%
Complimentary WELL Time	4,021	506	3,514	794%	4,021	1,446	2,575	278%
Training		150	(150)			350	(350)	
	8,920	3,583	5,337	249%	19,610	10,122	9,488	194%
General & Administrative								
Insurance	324	900	(576)	36%	1,232	2,500	(1,268)	49%
Depreciation	5,732	7,764	(2,032)	74%	16,053	21,739	(5,686)	74%
Bad Debts	924	4,908	(3,984)	19%	9,633	13,933	(4,299)	69%
Outside Professional Services	20		20		2,788	2,000	788	139%
Bank Fees	4,841	3,321	1,520	146%	10,720	9,428	1,292	114%
Miscellaneous	1,308	171	1,137	764%	4,485	486	3,999	923%
Non-taxable Donations	150	75	75	200%	150	225	(75)	67%
Board-related Expenses	762	800	(38)	95%	2,206	2,400	(194)	92%
	14,063	17,939	(3,877)	78%	47,267	52,710	(5,443)	90%
					548,753	464,419		
Total Expenses	158,422	139,584	18,838	113%	438,084	− 403,432	34,652	109%
				+49,000	110,000	61,000	49,000	

WELL Budget Comparisons -- Third Quarter 1990

	Third Quarter				Year-to-Date			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
Earnings Before Interest & Taxes	49,851	24,020	25,831	208%	111,182	60,987	50,196	182%
Interest Income (Expense)								
Interest rec'd from cash in bank	33	268	(236)	12%	33	794	(762)	4%
Sequent loan interest paid	(766)	(467)	(299)	164%	(2,454)	(1,490)	(964)	165%
	(733)	(199)	(534)	369%	(2,421)	(696)	(1,726)	348%
Earnings Before Taxes	49,117	24,219	24,898	203%	108,761	61,683	47,078	176%
Corporate taxes	589		589		3,239		3,239	
Earnings	48,528	24,219	24,309	200%	105,522	61,683	43,839	171%
Dividends								
Net Earnings	48,528	24,219	24,309	200%	105,522	61,683	43,839	171%
Capital Budget								
Sequent expansion	2,413	3,600	(1,187)	67%	21,793	24,700	(2,907)	88%
Modems	2,089		2,089		2,839	6,000	(3,161)	47%
Office equipment	2,899		2,899		6,259	7,000	(741)	89%
Other	(11,048)		(11,048)		(5,877)	7,500	(13,377)	-78%
	(3,647)	3,600	(7,247)	-101%	25,014	45,200	(20,186)	55%

	Third Quarter				Year-to-Date			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
BALANCE SHEET								
Short Term Assets								
Cash in bank	4,408	30,194	(25,786)	15%				
Accounts receivable	58,200	33,335	24,864	175%				
Credit card vouchers	63,022	38,891	24,130	162%				
Other	6,555		6,555					
	132,184	102,420	29,764	129%				
Long Term Assets								
P & E	163,499	179,113	(15,614)	91%				
Accumulated depreciation	(33,282)	(61,320)	28,038	54%				
	130,217	117,793	12,424	111%				
	262,401	220,213	42,188	119%				
Short Term Liabilities								
Prepaid usage	8,711	546	8,165	1596%				
Accounts payable	15,900	22,607	(6,708)	70%				
Sequent loan (current period)	7,500	2,248	5,252	334%				
NETI loan (current period)	30,000	7,500	22,500	400%				
Payroll taxes payable	3,560	1,892	1,668	188%				
Corporate taxes payable								
	65,671	34,793	30,877	189%				
Long Term Liabilities								
NETI advance	40,000	62,500	(22,500)	64%				
Sequent loan	13,098	14,383	(1,286)	91%				
	53,098	76,883	(23,786)	69%				
Stockholders Equity								
Common Stockholders	27,990	(43,533)	71,523	-64%				
Retained earnings	(277)	90,387	(90,664)					
Current Period Earnings	115,920	61,683	54,237	188%				
	143,633	108,537	35,096	132%				
	262,401	220,213	42,188	119%				

This is so high.

why so high.

How aged?

why not instantly credited? Collect the cash!

WELL Budget Comparisons -- Third Quarter 1990

	Third Quarter				Year-to-Date			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
CASH FLOW ANALYSIS								
Net Earnings	48,528	24,219	24,309	200%	105,522	61,683	43,839	171%
Sub: Non-Income Cash Uses								
New plant and equipment	? 4,035	(3,600)	7,635	-112%	(24,626)	(45,200)	20,574	54%
Add: Non-Cash Expenses								
Depreciation	? (15,220)	7,764	(22,984)	-196%	(4,899)	21,739	(26,638)	-23%
Add: Increases in Liabilities								
Short Term	? 9,375	(6,694)	16,068	-140%	18,745	12,263	6,483	153%
Long Term & Common Stock	? (39,187)		(39,187)		(54,905)	(35,617)	(19,288)	154%
Sub: Increases in Non-Cash Assets								
Accounts receivable	(9,942)	(1,821)	(8,122)	546%	(21,100)	8,991	(30,092)	-235%
Credit card vouchers	(11,764)	(2,124)	(9,640)	554%	(27,536)	(5,462)	(22,074)	504%
Net Cash Flow	(14,176)	17,744	(31,920)	-80%	(8,800)	18,397	(27,197)	-48%

Need 2nd QTR INFO FOR ALL OF THIS.